

CONFIDENTIAL - SUPERVISORY SECTION - CONFIDENTIAL PAGE A

GENERAL

Generally, comments included here should be of interest primarily to supervisory agencies. Normally, this information is either of no interest to the institution or is already known by the institution (and is not needed in the open section).

Use the following guidelines when compiling information for this page:

- Do not duplicate comments contained elsewhere in the Report.
- Group and list topics and comments in order of importance.
- Use descriptive subheadings to separate subjects.

UNIFORM FINANCIAL INSTITUTION RATING

The institution's CAMEL rating should be the first item on the page. Do not needlessly repeat, support, or summarize ratings here. However, in special cases, explanations of component or composite ratings assigned may be warranted.

MANAGEMENT

Include comments regarding management on the Management/Administration and Administration, Supervision, and Control pages. However, comments (not included in the open section) such as the following may be included here:

- Confidential or other information supporting the management rating
- Comments reconciling any apparent discrepancies between the assigned rating and recommended supervisory actions (or lack of recommended actions)
- Names of officers with whom the institution's affairs were discussed
- Planned management changes
- Sensitive or nonpublic information such as merger discussions

RECOMMENDATIONS FOR ADMINISTRATIVE ACTIONS

Do not reference recommendations for the following here. Address these actions in a separate memorandum: (1) imposing (or not imposing) civil money penalties, (2) terminating insurance, (3) issuing a Cease and Desist Order or other formal action, (4) issuing a Memoranda of Understanding or other informal action, and (5) releasing an institution from outstanding action.

Note: When administrative action is contemplated, remember Confidential-Supervisory Section comments may be a matter of record at an administrative hearing. Comments and observations must be well-supported and able to withstand cross-examination.

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CAPITAL-ENHANCEMENT SOURCES

When applicable, note sources from which capital funds may be obtained. Include information concerning the capacity and willingness of potential investors to purchase stock. The following items may also be included:

- (1) A complete list of present shareholders, indicating amount of stock held and their financial worth. (Small holdings may be aggregated if a complete listing is impractical.)
- (2) Information concerning individual directors relative to their capacity and willingness to purchase stock
- (3) A list of prominent customers and depositors who are not shareholders but who may be interested in acquiring stock
- (4) A list of other individuals or possible sources of support in the community who, because of known wealth or other reasons, might desire to subscribe to new stock
- (5) Any other data regarding the issue of raising new capital, along with the examiner's opinions regarding the most likely prospects for the sale of new equity

SCOPE OF THE EXAMINATION (Required)

Conclude with a comment on the scope of the examination. However, this comment should precede suggestions and comments for future examinations. Describe the scope of the review. Note any deviations from outstanding scope and examination procedure instructions.

Percentages of Loans Reviewed and Loan Cutoff - When appropriate, include in the scope comment a breakdown of loans by major loan type (for example, commercial real estate, residential real estate, agricultural, commercial, consumer). Include, by type, the number of loans reviewed, dollar volume of loans reviewed, and percentage of total dollar volume of loans reviewed. Also include the loan cutoff as well as the asset review date. *Note:* This information can be effectively presented in chart form.

Bank Fraud and Insider Abuse - If applicable, note the use of procedures detailed in the Bank Fraud and Insider Abuse Section of the Manual to supplement standard examination procedures. Comment on the reason for the use of this section and the results of the review. Refer to the Fraud and Insider Abuse subsection of the Internal Routine and Controls Section, and the Bank Fraud and Insider Abuse Section of the Manual.

SUGGESTIONS AND COMMENTS FOR FUTURE EXAMINATIONS

Comments listed under this subheading may include the following:

- Name of external EDP servicer(s), applications serviced, and any changes planned
- Personnel needed to start an examination or special personnel requirements (for example, capital markets experts)
- Name and location of branches to be included in the next examination
- Locations of operations or loan centers
- Records maintained at locations other than main office
- Number and working hours of state examiners at joint or concurrent examinations
- Any other helpful or useful information to improve examination efficiency

CONFIDENTIAL-WORKING HOURS - CONFIDENTIAL PAGE A

TIME-BLOCK ACTIVITIES

Listed below are the 10 time blocks included in the confidential working-hour matrix. Include only official work hours in this schedule. These hours must reconcile with the examination hours reported on official time and attendance reports. Do not include travel hours, both during and outside normal working hours. (List travel hours incurred during normal working hours in Item #148 of the SAER.) Examiners should review the activities listed under each time block and allocate their time accordingly. While this list of examination activities is not intended to be all encompassing, it provides sufficient guidance to properly allocate time for activities not listed.

1. Preexamination Planning (Exam Plan)

- Prior examination report review including specialty examinations (Trust, EDP, Compliance), visitations, and offsite reviews
- Correspondence file review
- Pending application review
- Scope of the examination preparation
- Resource allocation
- Preexamination data requests from the institution

2. Asset Review - Loans (Review Loans)

- G/L loan account balancing
- Line card/tab preparation
- Credit file review
- Documentation and bank reporting systems analysis
- Collateral appraisal
- Loan discussion
- Adversely classified and Special Mention loan write-ups
- Concentrations of credit schedule preparation
- Assets with Credit Data or Collateral Documentation Exceptions schedule preparation
- Loans and Lease Financing Receivables schedule preparation

Note: Include loan policy reviews in the "Management Review" time block.

3. Asset Review - Other (Review Sec/OA)

Securities:

- G/L account balancing
- Credit analysis -- bond rating
- Securities pricing
- Securities schedule preparation
- Classification or write-ups
- Issues related to securities transactions accounting
- Purchases and sales analysis
- Unusual or improper investment practices evaluation

Note: Report special investigations of improper investment practices beyond the normal examination review in the Special Activities time block.

CONFIDENTIAL WORKING HOURS - CONFIDENTIAL PAGE A (continued)

3. Asset Review - Other (continued)

Prepaid Expenses, Accrued Income, Acceptances, All Other:

- G/L account balancing
- Asset value evaluation
- Schedule preparation

Other Real Estate:

- G/L account balancing
- Asset value evaluation -- documentation review
- Other Real Estate write-ups

4. Funds Management and Interest Rate Risk (Funds Mgt)

- Liquidity report schedules preparation
- Interest rate risk report schedules preparation
- Asset/Liability management review
- Borrowings review
- Repurchase transactions review
- Hedging analysis
- Brokered deposits review
- Public funds review

5. Audit and Internal Control (Audit & IRC)

- Internal and external audit evaluation
- Audit workpaper review
- Adequacy of institution systems for ensuring accuracy of the institution's books, accounting records, and management information review
- Call Report accuracy verification
- Adequacy of other internal controls review
- Report schedule preparation relative to audit
- Insurance policy review

Note: Include special investigations outside normal internal routine and control reviews under Special Activities.

6. Report Preparation (Rpt. Prep)

- Time spent gathering information and completing the following report schedules:
 1. Balance sheet
 2. Capital
 3. Earnings
 4. Report schedules other than those mentioned in other time blocks
- Report assembly (for example, typing, proofing, and censoring)
- Contingent liabilities and nonledger items review
- Bank account reconcilements and verification
- Fixed assets review

CONFIDENTIAL WORKING HOURS - CONFIDENTIAL PAGE A (continued)

7. Management Review (Mgt Rev)

- Examination findings analysis
- Policy reviews including: loan, investment, and asset/liability management
- Violations of law review and schedule preparation
- Strategic planning review
- Operating plan and budgeting process review
- Depth and quality of personnel analysis
- Report schedule preparation of the Administration, Supervision, and Control page and the Management/Administration page
- Management discussions
- Outstanding corrective action reviews for compliance
- Senior management/board of directors meetings and reviews
- Pages 1 and A comment preparation
- Recommended action preparation -- formal and informal
- Regulation O and other insider transactions review

Note: Include DOE loan analysis in the "Asset Review - Loans" time block.

8. Administration (Admin)

- Administration functions associated with directing the examination process and allocating resources
- FDIC personnel matters
- Management reports required by the Field, Regional, or Washington Offices

9. Training (Train)

- Examination hours devoted to giving or receiving training

Note: All of an examiner trainee's hours should not arbitrarily be placed in the training timeblock. No absolute or percentage allocations should be utilized. The hours reported should be based on sound examiner judgements as to the examination hours actually spent teaching (demonstrating tasks, explaining banking concepts, etc.) or learning (performing new assignments, reading examination manuals, etc.). The grade level or type of assignment is not necessarily the determining factor.

10. Specialty Activities and Investigations (Spec Activ)

- International banking department evaluations
- Securities Dealer activities
- Affiliate, subsidiary, and holding company review in related organizations
- Fraud detection -- including time spent on criminal referrals and investigations
- All special investigations outside the normal review of audit controls
- Civil money penalty and Section 8(e) investigations

Note: Do not include hours for EDP, Trust, or Compliance examinations.

TOTAL OUTSIDE HOURS

Total outside hours are the official hours spent working on the examination outside the institution (for example, time spent in the field office). Outside hours should also be included in the "Total Hours" line item.

IN-HOUSE DATA PROCESSING - CONFIDENTIAL PAGE A

Include this schedule when a turnkey EDP review is conducted concurrently with the safety and soundness examination, and a separate EDP report is not prepared.

The Automated Applications section should detail individual automated applications (for example, General ledger, Securities, and Instalment loans).

Comments in the Administrative Remarks section should support the component and composite ratings assigned. Comments with regard to the EDP function, which are included on the Examination Conclusions and Comments page, Management/Administration page, or Item #11 of the Administration, Supervision and Control page, need not be repeated here.

References: Electronic Data Processing subsection of the Internal Routine and Control Section of the Manual
 Electronic Data Processing Examination Handbook
 Workprogram For Turnkey Data Processing Operations